

**MINUTES OF THE SPECIAL MEETING OF THE
WASHINGTON STATE TRANSPORTATION COMMISSION
April 4, 2002**

The special meeting of the Washington State Transportation Commission was called to order at 8:30 a.m., on April 4, 2002, in the 4th Floor Conference Room of the Washington State Ferries Administration Building, 2911 2nd Avenue, Seattle, Washington.

Commissioners present were: Chris Marr, Ed Barnes, Aubrey Davis, A. Michèle Maher and Connie Niva.

Michael Thorne, Chief Executive Officer, Washington State Ferries, discussed with the Commission the importance of the fare increase proposal that the Commission would consider later in the morning. He pointed out that the cash balance built up over the years, which was intended to support capital investments necessary to maintain current service levels, was wiped out by the revenue losses resulting from the repeal of the Motor Vehicle Excise Tax. Mr. Thorne reviewed the current status of expenditures for the operating and capital programs, and indicated that management is examining ways to improve the efficiency of operations. He also presented performance measure statistics, pointing out that trip delivery and time is highly reliable. Most complaints against the system have to do with the previous fare increase. Since the last fare increase, ridership and revenue are both performing better than expected. Mr. Thorne described the revenue collection system project, which is intended to replace the existing system and tie into the other transportation agencies' fare collections systems. He closed his presentation by discussing the goal of purchasing and developing Pier 48 to serve as an enhanced passenger-only terminal.

The Commission meeting adjourned at 9:30 a.m. on August 4, 2002 to travel to the ferry fare rules hearing location.

The formal rules hearing on the proposed ferry fare changes, (WAC 468-300-010; 468-300-040; and 468-300-200) was called to order at 10:00 a.m., on April 4, 2002, in the Snoqualmie Room, Room 402, of the King County Courthouse, at 516 Third Avenue, Seattle, Washington.

Commissioners present were: Chris Marr, Ed Barnes, Aubrey Davis, George Kargianis, A. Michèle Maher and Connie Niva.

Alice Tawresey, Chair, WSF Tariff Policy Committee, reminded the Commission of the original tariff proposal, and discussed the results of the public involvement efforts. The proposal included a 12.5% general fare increase, plus the second phase of the tariff route equity adjustments, along with several route-specific or program specific fare changes. Washington State Ferries distributed 75,000 brochures, explained the proposed fare changes on its website, provided media information packets, and held public meetings

in twelve communities. Two hundred thirty-five people attended the public meetings, and two hundred seventy-nine people commented through emails, faxes, and letters or over the telephone. Ms. Tawresey summarized the general themes from the public comments. The most frequent comment was the belief that the fare increases were too high and that fares were becoming unaffordable for many regular customers. There were also comments about specifics in the proposal, raising issues for the Tariff Policy Committee to consider.

Ray Deardorf, WSF Planning Manager, explained the amendments being proposed by the Committee. As a result of the comments received, the Committee recommended that the proposed day-of-week pricing schedule for the San Juan Islands be changed from a discounted period from Monday through Wednesday, to Sunday through Tuesday. Bob Distler, Chair of the San Juan Island Ferry Advisory Committee and representing the San Juan Islands on the Tariff Policy Committee, explained that the change in the discount period would benefit the residents of the islands more than the original proposal. Mr. Deardorf continued, explaining that the Committee originally proposed that the passenger pass price be calculated on 16 round trips per month instead of the current 21 round trips per month; the Committee recommended the pricing approach be used to set the wholesale price of the pass; and a handling fee of \$1.00 be added to arrive at the retail price of the pass. Mr. Deardorf noted that the Committee thought about reversing its original proposal for the Vashon route, to place a round-trip surcharge collection at Seattle. Since the Committee meeting, the Vashon community demonstrated through a survey that it would support the original proposal. Therefore, the Committee recommended the Commission adopt that portion of the proposed rules as originally stated. Sally Fox, representing Vashon Island on the Committee, explained the survey and the recommendations. Finally, based on customer concerns about the impact of reducing and eventually eliminating the commercial frequent user discounts, Mr. Deardorf explained the Committee recommended continuing with the current proposal to reduce the discount from 20% to 15% for this year, but to conduct an overall assessment of the fare structure for oversize vehicles before continuing with any additional discount reductions. Ed Sutton, representing the commercial users on the Committee, stated that the commercial freight structure would be examined more comprehensively, and that the Committee would also consider time of day charges to provide incentives for trucks to use the ferries during the off-peak periods.

Commissioner Marr opened the meeting for public testimony.

Kirk Robinson, representing the bicycling interests on the Tariff Policy Committee, testified that he commutes by bicycle year-round from Bainbridge Island. He pointed out that the Committee received comments suggesting the bicycle surcharge be repealed as a transportation demand management measure. He stated that the repeal of the Motor Vehicle Excise Tax reduced the ability of the Committee to consider transportation demand management issues when proposing ferry fares. He suggested the Commission eliminate the bicycle surcharge, stating that bicycles do not get extra service

or parking spaces; in fact, Washington State Ferries limits the number of bicycles allowed on a given trip. He pointed out that transit systems do not charge for bicycles.

Representative Beverly Woods stated that she has three ferry terminals in her district. She pointed out that with the fare increases and tariff route equity provisions, some of the routes would raise more than 100% of their costs. Washington State Ferries should redefine the true daily operating cost of service. Functions such as Eagle Harbor should not be counted as operating expenses, but rather should be considered a preservation function to be supported by taxes rather than fares. She stated that families in her district have been hit hard by the fare increases and the economic downturn. Washington State Ferries has decreased service while raising fares. She stated that 12.5% is too high of an increase. She asked the Commission to cut the increase in half, and to increase service levels. She also asked that the Commission not decrease the commercial truck discount.

Mr. Distler stated that he is pleased that the Commission continues to support the Tariff Policy Committee. He is very concerned with the 80% target for fare box recovery. The target creates a very real issue of affordability for the public. He stated that the Commission should balance service levels, taxes and fares. Demands for service are increasing, and as a result taxes and fare rates are forced to adjust. He asked the Commission to remember that the San Juan Islands and the Port Townsend/Keystone routes provide boats to the rest of the system in the winter, so route fare box recovery is only one factor to consider. Mr. Distler thanked the Commission for participating in the public meetings.

Ms. Fox distributed the survey of the Vashon Island residents regarding ferry fares. She pointed out that the service levels for Vashon Island have decreased.

Darcie Nielson, San Juan County Commissioner, thanked the Commission for holding the rules hearing, and for having Transportation Commission participation in the public meetings in the San Juan Islands. She commented that the county commissioners were not unanimous in their support for the day-of-week proposal: one commissioner dissented. She pointed out that coupon books are important, and asked the Commission to remember that there are many working class families and low income families on the islands, a fact that is obscured by the few wealthy individuals who raise the average income and property value levels. Commissioner Nielson commented that the state should provide equal access to all parts of the state for all its residents. She stated that she supports the fares proposed, but the Commission needs to be reasonable in applying the route equity philosophy. She asked the Commission to adopt the Sunday through Tuesday pricing concept for the islands.

Mike Sudduth, a member of the Vashon Island Ferry Advisory Committee, stated that he agreed with the Tariff Policy Committee recommendations presented at the hearing.

Richard Lankford, representing Citizens for User Friendly Ferries, stated that he is a resident of the San Juan Islands, and represents an organization that is working to make the ferry fares affordable for the residents of the islands. He pointed out that while the Sunday through Tuesday discount proposal will reduce fares for 40% of the riders, it would also reduce revenue that is needed to sustain the service. Washington State Ferries doesn't know the exact impact of shifting travel to those days of the week. He also pointed out that Washington State Ferries is not doing anything to stimulate ridership to increase revenue. He commented that the Sunday through Tuesday policy requires higher summer fares, and will reduce visits to the islands. Mr. Lankford stated that no one on the islands asked for the policy, and suggested that it is a very risky policy. He requested that the Commission not adopt the day-of-week concept, but rather, adopt a 17.5% across the board fare increase. The county lives on tourism, and the Commission should not adopt fares that will hurt tourism.

Vickie Mercer, from Vashon Island, stated that she is a past business owner on Vashon Island. The fare increases are making it too expensive to live on Vashon Island. She pointed out that Vashon is dependent on individuals being able to commute to the island, as well as to the mainland. Ridership is dropping, and the closure of the south end mid day service is forcing trucks to travel on the Tacoma Narrows Bridge, adding to the congestion on that route. Ms. Mercer stated that the Commission should protect outlying areas like Vashon Island and the San Juan Islands, limiting the fare increases for those communities. She asked the Commission to consider an "essential services" fare rate, providing special rates for fuel trucks, contractors, medical personnel and other services that are vital for the island communities.

Don Frey, Puget Sound Truck Lines, stated his support for the reconsideration of the commercial user discount.

Fred Pasquale, Port Townsend Paper, stated that the company has 400 employees, and ships 1,000 truck loads per month. He commented on the commercial discount rate, requesting that the discount be kept, and stated that while he understood the need for fare box recovery, the Commission should also look at the cost of travel and the goal of attracting new ridership to increase revenues. He stated that the increases in the fares are putting trucks on the Tacoma Narrows Bridge. He stated his support for the concept of trying to spread traffic away from the peak hours.

Joe Conley, Puget Sound Truck Lines, supported Mr. Frey's statement. He commented that BC Ferries does not offer a commercial truck discount, but a private barge system has developed in British Columbia. Washington does not have a barge system. He stated he would be willing to work on ideas to spread truck traffic away from the peak periods.

Bill Wright, from San Juan Island, stated that the San Juan Island day of week policy violates the Tariff Policy Committee's policy that decisions will be made system-wide, and there will be no unique solutions. He stated that the day of week proposal was not requested by anyone in the San Juan Islands. He attended the County Commission meeting, and heard the majority of people say they didn't want the split fares. Mr. Wright stated that everyone he talked to does not want the split fares. The Orcas Island School District didn't know about the fare increase. The superintendent of the school did not budget for it. The people of the island didn't have enough information about the fare increase being proposed. The oversize vehicle fares being proposed were not published or distributed to the people, for example. The oversize vehicle fare rates proposed could only be found on the website of Washington State Ferries. Mr. Wright also commented that the time-based fare structure is not equitable. Bremerton is given shed protection. It is the next longest domestic route, but is given shed protection, which gives it the base rate, while those on the San Juan Islands pay more. Regarding the 80% fare box recovery requirement, Mr. Wright commented that documents prepared in August 2002 for the Blue Ribbon Committee documented costs from FY 91 through FY 99; he received a subsequent document showing costs from FY 96 through FY 01. The latter document shows that costs for overhead have gone up. The cost was raised to pay for "WSDOT Support" from \$746,000 in FY 98 to \$6.9 million in FY 01. The fare box recovery line drops even though the system is gaining revenue, because of the cost addition. Mr. Wright stated his agreement with Representative Beverly Woods to eliminate the Department support from the fare box recovery requirement. If the Commission did so; the system would be at about 80% fare box recovery. He stated he would come to the next Commission meeting to show how to get legislative support for the system.

Galina Betz, Vashon Express, explained that Vashon Express is a trucking and delivery service, delivering everything from groceries to restaurants to construction materials to construction sites, as well as supplies to K2 Company. The company travels to Vashon Island three times a day, and to Bainbridge Island once a day. It costs the company \$3,000 a month to serve Vashon Island and Bainbridge Island. The commercial discount does not relieve the cost of the ferries very much; because of the way the rate is structured. She commented that the general fare increase was too high. The cost will be passed along to the customers, because the profit margin of the company is so small. Also, the company will take fewer trips and provide less service to the islands. She expects the company will also employ fewer people on the islands, because the company has been covering the commuting costs, and will no longer be able to afford to do that. She requested the Commission consider developing an essential services rate. She stated that her company would be willing to shift its hours of operation to help spread the traffic away from the peak hours.

Jay Lawley, Washington Trucking Association, stated that he agreed with the comments of Mr. Suddeth. He stated the Association supports the proposal as amended. He appreciated the opportunity to comment.

Tim Botkin, Kitsap County Commissioner, representing the Kitsap Regional Coordinating Council, stated that the KRCC is not opposing the fare increases being proposed. The Council understands the need for the increases, and the broad range of issues Washington State Ferries faces in balancing between the lifeline services and the commute services. He commented that next year, if the increases were large and aimed at 80% fare box recovery, the opposition would be huge. The KRCC will be working on a legislative funding proposal to avoid the need for large fare increases. Kitsap County has about 17,000 commuters each day. Fares have been increasing while service has been declining. He stated that the Commission should consider regional mobility, rather than being focused on the accounting issue of whether a specific fare box recovery target is met. The passenger-only ferry system contributes to the regional mobility challenge, which ought to be considered in discussions regarding how much the passenger-only ferry system ought to recover through fares. He pointed out that the region is facing a very large wish list of transportation needs, and is not setting priorities. The system is also being segmented, rather than planned in a comprehensive way. The state should decide what kind of transportation system is needed, and create the maximum funding flexibility to achieve that system.

Commissioner Marr thanked the audience for its testimony and complemented all those who had commented at both the hearing and the public meetings for their input. He stated that while he supports the continuation of the passenger-only ferry system, it is important that a funding solution allows for a viable system, rather than one that is simply on short-term life support. Commissioner Maher stated her support for the examination of the commercial truck discounts during the coming year. Commissioner Niva commented that the tariff policy process used by Washington State Ferries has been very effective, and clearly has taken the comments from the public and used them in developing new proposals for the following year. She thanked everyone involved for his or her efforts. Commissioner Barnes commented that everyone who attended the public meeting were very gracious in their input. He pointed out that the Tariff Policy Committee has already announced its intention of looking into the issues raised during the public meetings. He expressed the view that the state needs to develop a way to provide long-term funding for the transportation system.

It was moved by Commissioner Maher and seconded by Commissioner Niva to approve WAC 368-300-010, WAC 468-300-0202, and WAC 468-300-220, as proposed by the Tariff Policy Committee. It was moved by Commissioner Niva and seconded by Commissioner Davis to amend the motion to include the amendments to the original proposal as noted by the Tariff Policy Committee in its presentation. The motion passed unanimously. Commissioner Marr then asked for a vote on the motion as amended. The motion passed unanimously.

The Commission rules hearing adjourned at 12:30 p.m. on August 4, 2002, to travel to the joint meeting with the Executive Committee of the Ferry Advisory Committees.

The special joint meeting of the Washington State Transportation Commission meeting with the Executive Committee of the Ferry Advisory Committees was called to order at 1:15 p.m., in the Spike Eikum Conference Room, at Pier 52 (Colman Dock) in Seattle, Washington.

Commissioners present were: Chris Marr, Ed Barnes, Aubrey Davis, A. Michèle Maher and Connie Niva.

Bob Distler, Chair, Executive Committee of the Ferry Advisory Committees, described the purpose, organization and function of the ferry advisory committees. He indicated that the executive committee meets quarterly to identify common issues that all of the route-specific ferry advisory committee should discuss. The executive committee and the ferry advisory committees coordinate closely with Washington State Ferries to discuss the full spectrum of issues facing the system. Mr. Distler commented that Washington State Ferries management listens to the advisory committees, and the committees have an impact on the decisions made.

The representatives of the various route committees described how they work with the local officials in their area. Ian Munce, Skagit Ferry Advisory Committee, informed the Commission that the committee reports back to the county commissioners and legislators. Jimmy James, Kingston Ferry Advisory Committee, described how the four ferry advisory committees within Kitsap County coordinate their discussions, to make sure that each route's issues are considered in the context of the others. Sally Fox, Vashon Ferry Advisory Committee, stated that Vashon has a larger, more informal structure than the other routes. She expressed the hope that the new administration for the City of Seattle would improve its coordination with Washington State Ferries. Mr. Distler stated that he meets regularly with the San Juan Island commissioners and also participates in the work on the County's comprehensive plan, to ensure coordination between the County and Washington State Ferries. Jack Leengran, Clinton Ferry Advisory Committee, stated that the committee meets annually with the Island County Commission.

The committee members described the working relationship with Washington State Ferries. Mr. Distler stated that Washington State Ferries reaches out with staff time and communication to deal with the issues facing the advisory committees. The relationship is an interactive one, with Washington State Ferries and the committees working through the issues until they are resolved. The terminal managers are the front line for solving problems. Ms. Fox pointed out that the terminal managers work hard to help riders get home when the boats break down. Mr. Munce stated that the ferry advisory committees serve as a good feedback loop for Washington State Ferries.

The Commission and the committee members discussed the working relationship between the Commission and the ferry advisory committees. Commissioner Marr asked

that the Commission members receive agendas for the ferry advisory committees. Commissioner Niva suggested that an annual meeting between the Commission and the Executive Committee would be useful. Commissioner Maher suggested the Executive Committee consider participating with Mike Thorne in his quarterly report to the Commission. Commissioner Davis offered that individual commissioners could also occasionally attend ferry advisory committee meetings. Commissioner Marr commented that it is an important time for the Commission to stay in touch with user perceptions, during the transition period with Mr. Thorne. He summarized the discussion by stating that the Commission and Executive Committee should meet at least once a year, but not necessarily tied to the same day as the tariff hearing, and that individual commissioners would occasionally attend ferry advisory committee meetings.

Mr. James briefed the Commission regarding the Executive Committee's charter. He summarized the mission statement, goals and activities list, and asked the Commission to consider endorsing the charter. Mr. Distler commented that having the Commission's endorsement would support the Executive Committee's efforts to work with local officials regarding ferry system issues. Commissioner Marr responded that he thought a resolution could be adopted to endorse the charter, as well as, recognize the value of the ferry advisory committees.

The Commission meeting adjourned at 2:50 p.m. on August 4, 2002.

At the conclusion of the joint meeting with the Executive Committee of the Ferry Advisory Committees, the commissioners participated in a tour of the Washington State Ferries Operations Center and Emergency Operations Center at Pier 52 (Colman Dock).